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ABSTRACT

Packaging student financial aid, bringing the various forms of assistance together into a combination of resources sufficient for an individual student to meet college costs, reflects national and institutional philosophy about who should have access to higher education and who should pay, and how the pool of applicants is to be treated equitably. The importance of packaging policies and procedures lies in the growing multiplicity of sources of aid and the fact that aid is different in kind. Equity packaging, the combination of self-help and nonself-help aid distributed equitably to similar students, is discussed in detail. The underlying principles for such a program are outlined as is the practical implementation. The packaging plan should determine the needs of the applicant pool; the applicant's resources; what can be expected in terms of reasonable self-help; how much need remains; and how the remaining need should be met. One experimental use of equity packaging using the CSS Financial Aid Form (FAF) is outlined. (JMF)

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EQUITY PACKAGING OF STUDENT FINANCIAL AID

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Packaging student financial aid -- bringing the various forms of assistance together into a combination of resources sufficient for an individual student to meet college-going costs -- is perhaps the most crucial and significant part of the whole financial aid process. It reflects national and institutional philosophy about who should have access to higher education and who should continue, who is entitled to special subsidies, who should pay his own way, and how the pool of applicants is to be treated equitably. Yet it has been largely neglected and has been given little systematic attention by the financial aid community.

Over the last 25 years considerable national consensus has been reached on the principle that parents and students jointly share the responsibility for contributing to college costs to the extent they are able. Defensible techniques, based both on economic theory and actual practice, have been developed to measure that ability. On the other end of the need analysis process, there is significant and growing attention being given to constructing realistic student budgets. On the question of how the resulting need is to be met, there has been very little national discussion and even less consensus.

The Importance of Packaging

The Congress, state legislatures, the private sector, and institutions of higher education themselves can conceive and implement the loftiest of student aid policies, only to have them thwarted at the point where they are brought together and aid is delivered to the student. Similarly, inadequate and skimpy resources can be stretched to their fullest by wise and sensitive packaging policies designed to encourage student access and retention.

This paper is distributed to the membership of the CSS Assembly for discussion at the 1976 Regional Meetings of CEEB/CSSA. Following these meetings the CSS Committee on Need Assessment Procedures (CNAP) will consider the reactions of the membership to this paper and then make recommendations to the CSS Council at its spring meeting.

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Packaging is of vital importance in any aid decision, but it is likely to be more significant when the parental contribution is a small component of the student's total resources. More students are being brought into the educational mainstream from families unable to contribute anything at all toward education costs. Moreover, one of the effects of 18-year-old majority is erosion of the principle of parental responsibility for college expenses. Even now, many colleges and universities find that about 50 percent of their aid recipients are financially independent and, for some institutions, the figure is far higher. If this trend continues, packaging and student budget decisions will have far greater impact on the distribution of aid than will a change in the curves of expected parental contributions.

But the greatest importance of packaging policies and procedures lies in the growing multiplicity of sources of aid and the fact that aid is different in kind. Two or three decades ago the student aid administrator had primarily one source of assistance -- the college or university itself. Today, a single student might qualify for aid provided directly by the federal government, such as the G.I. Bill, social security benefits, the Basic Educational Opportunity Grant, and many more. In addition, there are federal, state, and institutional assistance administered by the college or university, private loans guaranteed by a federal agency, funds made available by private corporations or organizations, plus the resources of the parents and student. There is only one point when all these sources can possibly be combined into a coherent whole -- when they converge on the desk of the aid administrator.

As if multiple sources of aid were not confusing enough, the various kinds of aid differ in their basic characteristics as well. Long-term loan with no interest before graduation, long-term loan with immediate interest, short-term loan, subsidized employment, nonsubsidized employment, grant, scholarship, assistance from parental income, assistance from parental assets, student savings -- each has its own qualities. Packaging is the "assembly line" where these various parts are fitted together into a workable vehicle, and it is the only place this assembly occurs.

The Impact of Different Aid Resources

So far as the student is concerned there are only two categories of aid: self-help and everything else -- and "everything else" is more desirable. From the colleges' view, non-self-help is more effective in getting and retaining students. Whatever is thought about the positive aspects of contributing to one's own betterment through work and borrowing, the fact is that nothing is as effective in encouraging a student to continue education as unencumbered cash, whether it comes from social security, prosperous parents, grants, or scholarships. From the standpoint of the student, and in the development of a packaging philosophy, all forms of non-self-help (parents' contribution, entitlements, and scholarships and grants received from sources outside of the institution) are comparable and commensurable.

Similarly, the various forms of self-help can be considered comparable to each other. Whether in the form of savings from past earnings, income from present earnings, or a lien on future earnings, there is the common factor of funds being provided by the work and effort of the student himself or herself. In packaging, therefore, forms of self-help should be grouped together regardless of their source and should all be considered simply as different manifestations of a single kind of financial resource. However, choices among

saving, working while in school, and borrowing against future earnings are heavily affected by cultural and personal factors such as the student's age, educational level, chosen career, etc. Some would prefer to work rather than have the fiscal and emotional burden of a loan, while others who desire to be free to devote themselves to their educational pursuits will choose to borrow, and yet others may prefer to drop out of school and accumulate savings toward their education. It is desirable, therefore, for any self-help component in a financial aid package to be as flexible as possible so that the student is free to choose the form best suited to his or her needs.

If it is correct that there are only two basic categories of aid, then the job of packaging is conceptually simple, however difficult it may be operationally. Within the constraints of self-help and non-self-help available to the financial aid administrator, packaging becomes a matter of giving each student similar proportions of self-help and non-self-help. The goal is to treat similar students equitably, hence the suggestion that equity packaging is a suitable title for the process. Equity packaging will be discussed later in more detail, but first a cursory examination of some alternatives.

Some Packaging Alternatives

Perhaps the simplest way to solve the packaging problem is to use the first-come, first-served approach, or giving away all the grants and scholarships to meet the need of those who apply first and then turning to other resources for the latecomers. Lest it be thought that this suggestion is facetious, one should be reminded that many colleges and universities grant admission, assign students to popular professors, and allocate desirable lower-cost residence hall spaces on precisely this basis.

Assuming, however, that few are willing to distribute the most desirable kind of money just to the early-birds, another alternative is to distribute non-self-help first to meet the full need of those students most desirable to the institution; perhaps for one college it will be valedictorians, for another minority students, violists, lacrosse players, or budding scientists. This approach to packaging is not strange to any aid administrator -- there are many institutions that give the choicest aid packages to the brightest students and work down to the point where the marginal student receives nothing but work and loan. This practice may be defensible if an aid administrator has only loans and jobs with which to work; but some would defend it for perceived reasons of institutional survival or status. It should be pointed out, however, that burdening the marginal student with jobs and loans is hardly likely to improve his or her academic performance, especially when the high achiever probably is better able to handle a job without academic damage and has more assurance of being able to repay a loan.

In a 1975 report of the Federal Task Force on Student Assistance Programs, it was suggested that there are three basic approaches to packaging: (1) the "ladder" concept, which views parental assistance and the Basic Grant as the bottom rung, to be followed by other grants and scholarships, with loans and jobs used to top off the amount of each student's need; (2) the "combinations" concept, which leaves each package to negotiation between aid administrator and student, allowing the package to be tailored to each student's situation; and (3) the "self-help" concept, which also starts with parental contribution and Basic Grant but moves next to some level of self-help, with additional grants and scholarships used in cases of exceptional need. The first concept

would package in the sequence of parents, then Basic Grant, then other grants, then self-help; the second would be relatively random, depending upon individual circumstances; and the third concept would package in the sequence of parents, Basic Grant, self-help, then other grants.

Although any of these approaches to packaging might be appropriate under certain circumstances, it is to be hoped that the process can be refined so that packaging will be more equitable and there will be greater acceptance of it by aid administrators, thus advancing equal educational opportunity. It is for this reason that equity packaging is presented for serious consideration.

Equity Packaging of Student Financial Aid: Principles

1. All forms of non-self-help are to be comingled and considered as a floor. Obviously the individual members of any pool of applicants will have widely disparate floors because of varying parental contributions and varying availability of other forms of non-self-help.
2. All forms of resources originating with the student are to be considered as supplementing the floor established by non-self-help.
3. The aid administrator is to use such grants and scholarships as may be at his or her disposal to come as close as possible to leveling the floor among all students, thus creating horizontal equity. Horizontal equity may be defined as providing students as equitable a level of financial support as possible on the basis of either a flat dollar amount or a fixed percentage of the student expense budget. There would be different levels of horizontal equity among recipients from institution to institution because of differing costs and amounts of available non-self-help. Most aid administrators would need to determine their institution's unique equity level, but also may need to identify subgroups within their student population for whom different levels of horizontal equity should be created. This would be necessary in order to ration scarce scholarship and grant dollars among students with varying budgets (e.g., single, married; commuter, resident; etc.).
4. Amounts of unmet need above the equity grant level are to be met with self-help, ideally in the form best suited to a student's need.

These principles represent a philosophy, a rationale for operational decisions regarding the distribution of financial aid. They are brought to reality only as aid administrators examine the availability of funds and relate them to the needs of their applicant pools. The following discussion echoes one that appeared in the 1975 report of the National Task Force on Student Aid Problems[1] and serves to illustrate the principles of equity packaging and to demonstrate an approach to making them operational.

Equity Packaging of Student Financial Aid: Practice

The financial aid administrator who sets out to implement equity packaging -- whether using the roughest of estimates and hunches or the most elaborate linear programming techniques on the fastest computers -- must answer the following questions.

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1. The section in Chapter IV of the National Task Force report dealing with equity packaging was prepared by the author who acknowledges the contributions made to development of the concept by extended discussions with Dale Hierstay, Director of Student Financial Aid, the University of Vermont.

1. What are the needs of the applicant pool? Figure 1 depicts seven students who have applied for financial aid. The modest-but-adequate student expense budget for resident applicants in Figure 1 is $3,500; and for commuting applicants, $3,000. One student, Gil, is married and has a budget of $5,000. Thus, the college costs for the seven students total $24,500, and that amount must be available from all sources if all are to enter or stay in school. Figure 1 does not purport to represent a "typical" range of cases, but simply illustrates some problems met by an aid administrator as well as some solutions.

2. What resources do the applicants have? In determining financial need and the aid package to meet that need, the aid administrator first evaluates what resources are accessible to the student that do not entail working or borrowing. These include the parents' contribution, Basic Grant and state scholarship or grant awards, entitlements from such agencies as the Social Security Administration or Veterans Administration, and other "outside" financial aid from private organizations or foundations. These may all be considered similar and undifferentiated as far as the aid administrator and student are concerned because they do not involve working or borrowing on the student's part.

We know from Figure 1, for example, that Fay is receiving a substantial amount from her parents, Bev is receiving social security payments, and Dan has a combination of several resources -- but for the purposes of equity packaging, those resources may be grouped as forms of non-self-help readily available to the student.

3. What is reasonable in terms of self-help? The portion of educational expenses to which the student is able or expected to contribute personally before additional resources are looked to includes self-help. For the most part, self-help is secured by the student and is not made available through an institutional commitment. Typically this represents savings from summer earnings, but it may also include earnings from an off-campus job during the school year, previous savings, or perhaps privately secured loans such as Federally Insured or Guaranteed Student Loans.

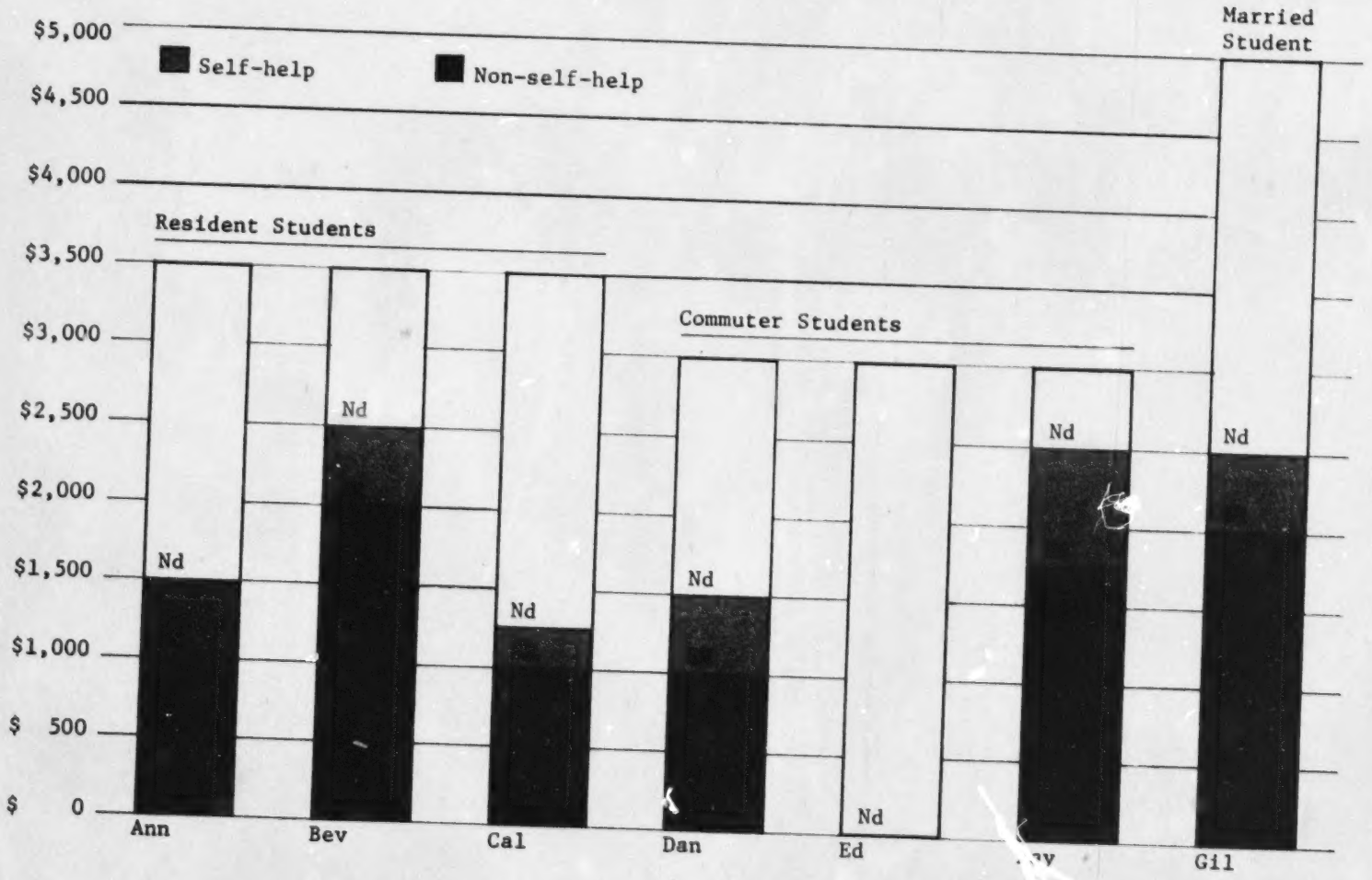
Summer earnings under the CSS rationale have always been considered a part of the total family contribution. However, as an alternative, summer earnings could be viewed as full or partial fulfillment of the student's self-help. Under this model, the institution would establish the equity grant level and then meet the self-help portion from institutionally provided and/or student generated resources.

At issue here, however, is whether for equity packaging purposes, presumed or real student earnings should be considered prior to determining equity grant amounts. If only real earnings are considered, it would then be necessary to provide institutionally awarded aid to replace any shortfall for expected student contribution. In addition, some aid administrators would not desire to consider insured or guaranteed loans as a part of self-help at this point in the equity packaging process, except perhaps in those cases where a loan serves as a replacement for a part of the parents' contribution.

The self-help component of the aid package is based on the principle that every student seeking aid should be willing to contribute something in the form of past, present, or future earnings.

National standards of self-help expectations have been established as a part of the uniform methodology recommended by the National Task Force on Student Aid Problems and adopted by the College Scholarship Service. In

Figure 1. Illustration of Students with Varying Budgets, Resources, and Needs



PC = parents' contribution; SR = student resources; Soc Sec = social security benefits; BG = Basic Grant; State = state scholarship; VA = veterans' benefits; Nd = need.

Figure 1, however, it will be noted that there are variations caused by special circumstances. Cal, for instance, is expected to contribute only $250 and Ed nothing at all. In both cases this decision is based on the likelihood of their not finding suitable employment and the possibility of their having to contribute to family support during the summer.

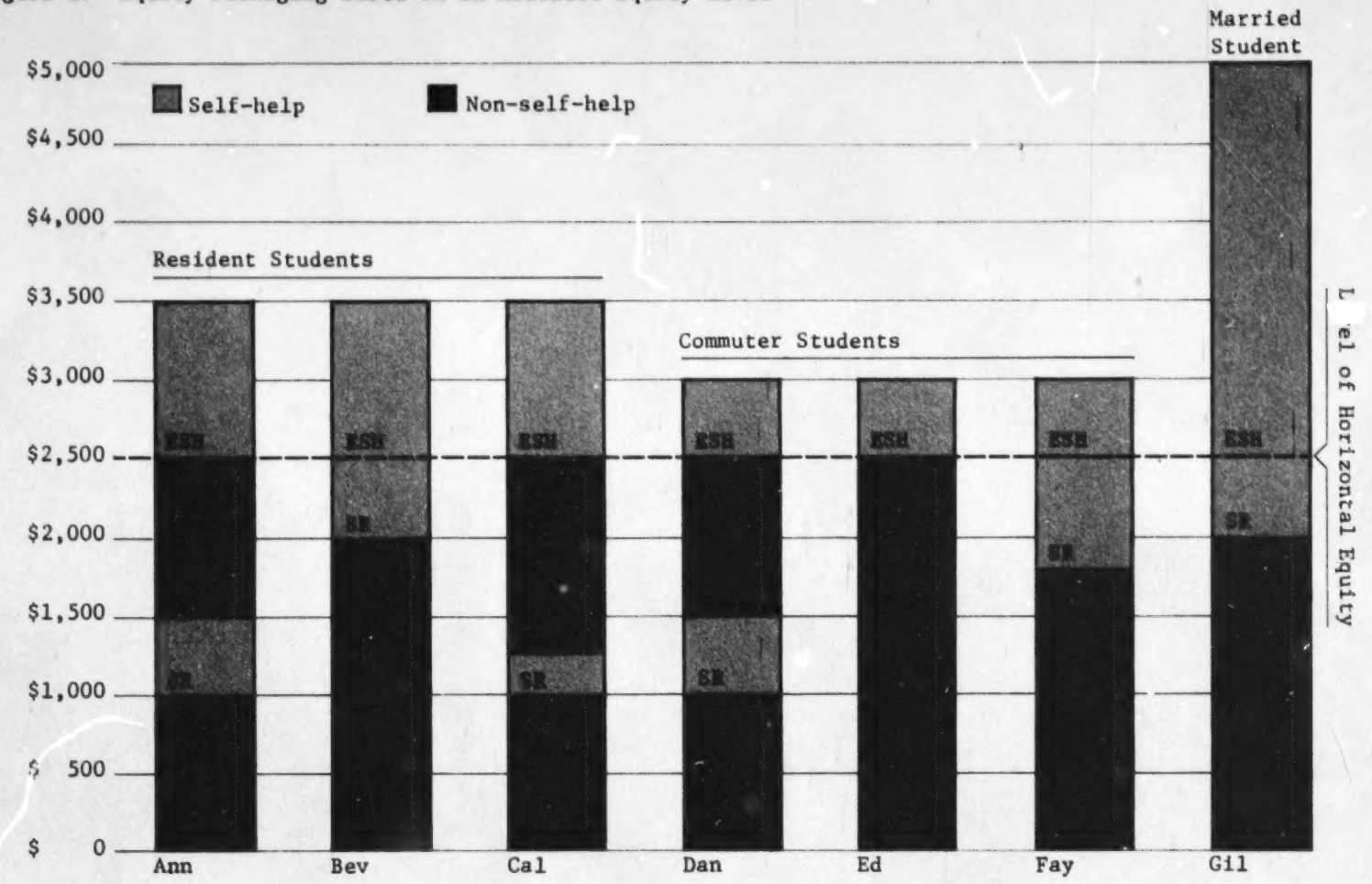
4. How much need remains? The seven students in Figure 1 have aggregate resources of $11,750. Since their aggregate budgets amount to $24,500, the aid administrator is faced with the problem of helping meet a net financial need totaling $12,750.

5. How should the remaining need be met? Several alternatives could be proposed for meeting the remaining need with limited aid funds. For example, the aid administrator might give equal grant amounts to each aid applicant -- but it can readily be seen that this would result in giving some students excess resources, while causing other students, because of their need levels, to undertake undue amounts of loan or employment assistance. Thus <u>equal treatment is not necessarily equitable treatment</u>. Another, but also unsatisfactory, alternative would be to distribute institutional grants as a percentage of need. Although this would be somewhat less onerous than giving equal sums to each, it still would perpetuate inequities caused by circumstances beyond the control of the student.

The solution proposed under the concept of equity packaging is to distribute institutional grant and scholarship assistance in such a manner as to give each student as nearly as possible an equal starting point. Institutional grants can be distributed in such a way as to bring each applicant to a predetermined level of comparability -- based either on an absolute amount or on a fixed percentage of budget. In Figure 2 this level is an absolute amount and is represented by the line of horizontal equity. By contrast, Figure 3 shows equity packaging based on a fixed percentage, by which resident students have a somewhat higher equity grant level, and the married student, Gil, an even higher one. Nevertheless, Gil will have to work or borrow substantially more than the others because of his higher budget. If a student's access to family and outside resources was altered, that student would receive a proportionate amount of non-self-help assistance to bring him or her to the equity grant level, so long as aid funds remain available to the institution. In projecting an institution's ability to provide equity packaging at a specified level, the aid administrator would, of course, have to estimate the aggregate need of the applicant population and take into account the financial aid dollars available for distribution.

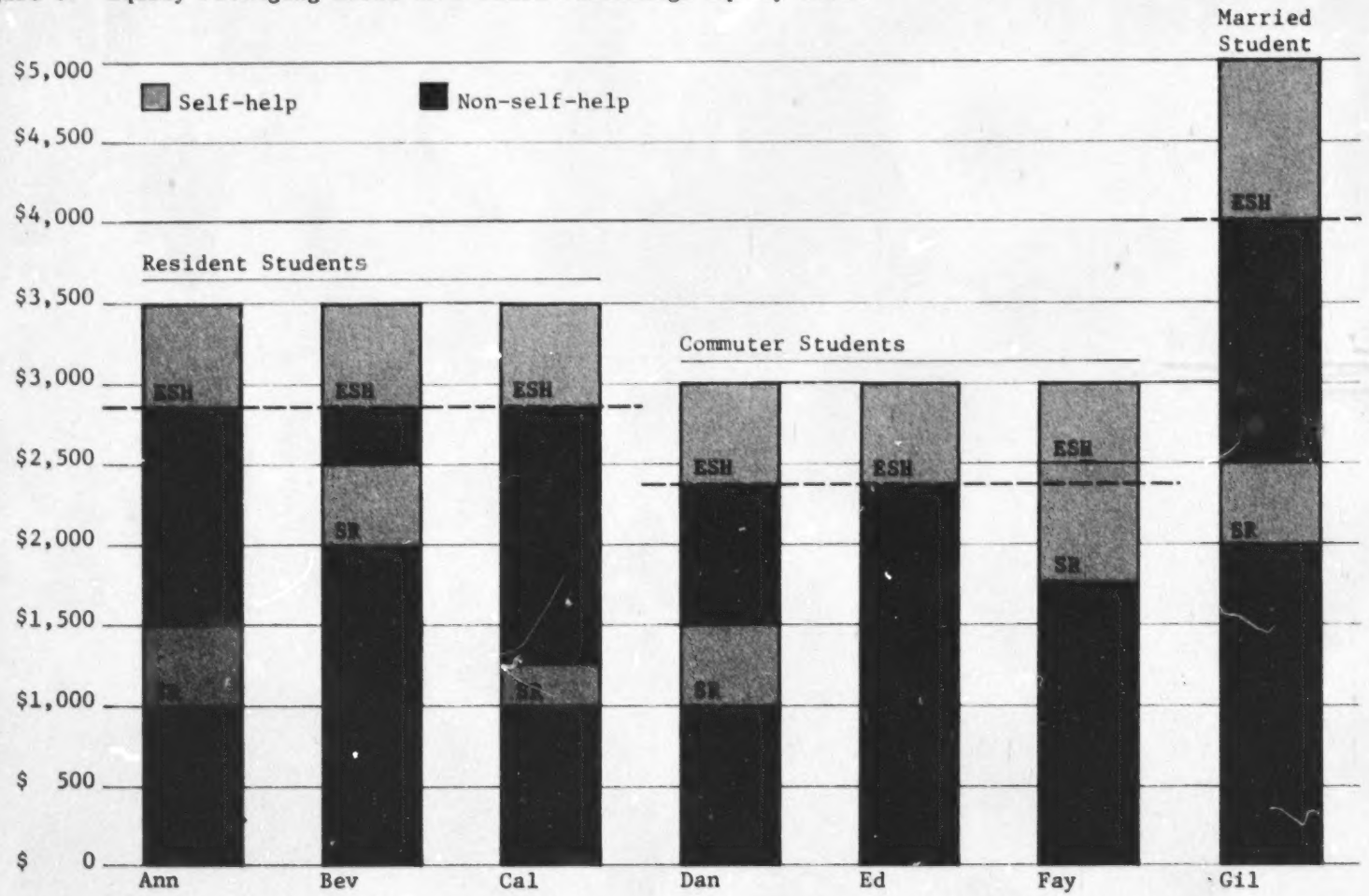
It should be emphasized that the equity grant level is not determined by an esoteric formula, but simply by distributing grants in such a way as to approach an equitable level of support for which students do not have to work or borrow. In our examples, had the aggregate amount of institutional grant money been different, the equity grant level would likewise have been changed. The equity self-help amount, as well, would still have been comparable from case to case. Even if the aid administrator had only self-help funds to distribute, the aid would have been allocated in a similar manner. The overall equity packaging process can be likened to the way one would fill a series of test tubes to a predetermined level (equity grant level) with varying amounts of one liquid and then to another level (total student expense budget) with a second liquid.

Figure 2. Equity Packaging Based on an Absolute Equity Level



PC = parents' contribution; SR = student resources; Soc Sec = social security benefits; BG = Basic Grants; State = state scholarship; VA = veterans' benefits; EG = equity grant; ESH = equity self-help.

Figure 3. Equity Packaging Based on a Fixed Percentage Equity Level*



PC = parents' contribution; SR = student resources; Soc Sec = social security benefits; BG = Basic Grant; State = state scholarship; VA = veterans' benefits; EG = equity grant; ESH = equity self-help.

*For illustration, fixed percentage is set at 80%. In practice, however, the percentage may be set for each category of student budget. Broken lines indicate the level of horizontal equity for each budget group.

Experimental Use of Equity Packaging through the Common Form

In January 1976 the College Scholarship Service began processing of the Financial Aid Form (FAF). The FAF is made available as a result of the work of the National Task Force on Student Aid Problems to produce a common information form for financial aid applicants. As a part of the experimental FAF service, the CSS has implemented the Task Force's recommendations on equity packaging. The need analysis report for the FAF will contain a section showing the equity grant and self-help levels necessary to meet the student applicant's need.

As it operates in the FAF system, equity packaging is based on equity levels determined from fixed percentages of student expense budgets. The institution specifies the fixed percentages by category of student. The equity level is set by multiplying the student expense budget by the fixed percentage. The amount the institution needs to award in grants to reach the equity level is found by subtracting the student's total contribution and Basic Grant and state awards from the equity level. Any need remaining constitutes the equity self-help amount. This can be illustrated as follows.

A. Student Expense Budget
x Fixed Percentage
Equity Level

B. Equity Level
- Total Contribution*
Equity Grant

C. Student Expense Budget
- Total Contribution*
- Equity Grant
Equity Self-Help

*Total contribution for dependent students includes contribution from parents, student's share of social security benefits, veterans' educational benefits, other nontaxable income and benefits, student asset contribution, and summer savings. For self-supporting students, total contribution includes student's available income (including social security and veterans' benefits and other nontaxable income and benefits) and student asset contribution.

It must be stressed that the approach to equity packaging used in the FAF service is one interpretation of the concept. It is hoped that the experimental use of equity packaging in the FAF will provide affirmation of the principles and guidance in further development of the concept.

Conclusion

The development and implementation of equity packaging as a tool for effective administration and equitable distribution of financial aid funds is essential. While certain general principles may be already evident, there is as yet no general agreement on the particular details of equity packaging procedure. The CSS has taken initial steps to implement equity packaging on an experimental basis with the Financial Aid Form service.

It is recommended that the College Scholarship Service, working through the Committee on Need Assessment Procedures and with the approval of the CSS Council, offer the option of equity packaging output with all CSS need analysis services beginning in the 1977-78 academic year (1976-77 processing year). Individual participation should be at the discretion of the institutional aid administrator.

Although general assent may be given to the principles of equity packaging set forth in this paper, it is recognized that there are specific issues still to be resolved. Among these are: (1) whether equity packaging should be based on an absolute equity level amount or on a fixed percentage level (or on either); (2) at what point self-help originating with the student (i.e., earnings, savings, insured loans) should enter the equity packaging process, and whether real or presumed student contribution expectations are to be taken into account; and (3) determination of the components of equity packaging and definition or delineation of each.